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AUTHOR Johanson, Richard K.
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ABSTRACT

The number of entrants to the labor market today in most sub-Sahara African countries far exceeds the number of new jobs generated by the economy. This mismatch is one of the most serious problems the region faces. With too few jobs to go around, vocational training should focus on the generation of self-employment possibilities. In the mid-1970s the International Labour Office and the Swedish International Development Authority teamed up to develop and try out a new approach to the creation of rural employment through training. After 10 years, an investment of more than $5.3 million, and much trial and error, a successful approach has been developed for the creation of rural employment. The Skill Development for Self-Reliance (SDSR) program has been applied in Kenya, Tanzania, and Zambia. The overall SDSR strategy aims at creating self-employment for rural youth and women. It uses existing government training structures and financial institutions, and it applies a comprehensive approach to ensure the profitability of business activity on a sustained basis. There are five key program elements of the SDSR approach to rural income generation and self-employment: (1) market analysis; (2) selection of entrepreneurs; (3) training; (4) credit; and (5) follow-up/monitoring. Now the SDSR program faces the issues of expansion on a larger scale and the creation of a supporting infrastructure. (KC)

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VOCATIONAL TRAINING FOR SELF EMPLOYMENT
ILO's EXPERIENCE IN AFRICA

by
Richard K. Johanson
Chief, Vocational Training Branch
ILO, Geneva

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INTRODUCTION

The purpose of my presentation is to explain some of the main findings from the experience of the International Labour Office (ILO) in training people for self-employment or micro-enterprises in Africa. In particular I will focus on what we have found to be an effective approach in training small scale entrepreneurs in rural areas. I will also touch on the need for restructuring established systems of vocational training in view of prevailing and projected wage unemployment in Africa.

I THE UNEMPLOYMENT PROBLEM IN AFRICA

The number of entrants to the labour market today in most sub-Sahara African countries far exceeds the number of new jobs generated by the economy. This mismatch represents one of the most serious problems the region faces. Table 1 and Diagram 1a illustrate the dilemma:

Table 1:
The Typical African Case

Population	**50% under age 15**
Economically Active	**33% - 50%**
of which	**10% in wage employment**
	65% in agriculture sector
	25% in non-agriculture, i.e. informal sector.

See also Diagram 2 for conceptualization of the segments of the African labour market (Note: all diagrams appear at the end of the text).

Let us now look at the dynamics, the relative growth of the labour market and wage employment. Table 2 and Diagram 1b elaborate on the generic case.

Table 2
Dynamics of the African Labour Market

Population	**say**	**100,000**		
Labour force	**33% -**	**33,000**	**Wage Employment (10%x33%)**	**3,300**
Growth p.a.	**(3.5%)**	**1,155**	**Growth p.a. (5%)**	**165**
Ratio of new entrants to new wage jobs (7%)				

Let us consider some actual examples, as shown in Table 3 and Diagram 1c.

Table 3
African Examples

COUNTRY	Population	Economically Active		Wage Employment	
	(millions)	(millions)	(millions)	(millions)	(millions)
Nigeria	**80.0**	**32.000**	**40%**	**3.000**	**9.4%**
gross		**0.850**		**0.150**	
ratio				**5.6 to 1**	
Kenya	**24.0**	**11.000**	**46%**	**1.600**	**14.5%**
gross		**0.400**		**0.60**	
ratio				**6.7 to 1**	
Burkina Faso	**6.0**	**3.000**	**50%**	**0.050**	**1.7%**
gross		**0.066**		**0.003**	
ratio				**26.1 to 1**	

Another way to look at the mismatch is to compare the number of school leavers from the various levels with generation of new wage employment. Let us take Zambia, an extreme case, as an example. Between mid-1970 and mid-1980 the number of school leavers who entered the labour market from all levels of the school system increased by 36% to about 160,000 per year. Over the same period formal sector employment, that is wage employment, actually decreased by 5% to 360,000. Clearly, it is impossible to fit 160,000 new entrants into a labour market that gives wage employment only to a total of 360,000 persons.

Are you convinced there is a problem, a massive problem, of wage unemployment in Africa? What happens when there is not enough wage jobs to go around? There are only three alternatives: 1) be unemployed, which cannot go on indefinitely, 2) take a job in subsistence agriculture or in the urban informal sector, or 3) create a new job for yourself. Are there any other alternatives?

The issue for vocational training in Africa is the following: what should training be like when there are not enough wage jobs to go around. At present most vocational training institutions in Africa prepare people for formal wage employment, that is, for 10% of the labour force. What about the other 90%? That is what I am going to talk about today, a specific approach to the generation of self-employment that has been developed and works in three countries in Africa. I would like to stress that this is only one good example among many. I will talk about only one of several things that are being done and that go in the same direction.

II A STRATEGY FOR RURAL SELF-EMPLOYMENT IN AFRICA

In the mid-1970s ILO and the Swedish International Development Authority (SIDA) teamed up to develop and try out a new approach to the creation of rural employment through training. After ten years, an investment of more than US$ 5.3 million, much trial, error and reshaping, we think a highly successful approach has been developed for the creation of rural employment. It is called "Skill Development for Self-Reliance", or SDSR for short. It has been applied in three countries, Kenya, Tanzania and Zambia (See Diagram 3, map).

SDSR has demonstrated beyond doubt that:

- target groups can be reached and assisted without heavy capital inputs or drain on government budgets;
- these groups can and do innovate, organize and take risks, given the necessary stimulus and adequate support; and
- measures to institutionalize and sustain the process can be established.

The overall SDSR strategy aims at creating self employment for rural youth and women; It uses existing government training structures and financial institutions; and it applies a comprehensive approach to ensure the profitability of business activity on a sustained basis.

This approach is in marked contrast with several previous attempts at promoting self-employment and income generation. Such programmes have often provided only skill training or only set up some revolving funds with no consideration of other complementary requirements critical for entrepreneurial development. As a result, the impact of these programmes has been marginal and the economic enterprise short lived.

The SDSR strategy is directed at providing a comprehensive package of support to rural entrepreneurs which integrates all the factors essential to successful income generation. What sets SDSR apart from other approaches is:

- it involves community leaders and intended beneficiaries in needs assessments;
- it doesn't train anyone until a profitable business has already been identified;
- it carefully selects those people most likely to succeed;
- it pays as much or more attention to training in business skills as in technical production skills;
- it doesn't train anyone until the sources of credit are in place for start up and initial business operation;

- finally, SDSR doesn't leave the person to sink or swim; it gives him or her intensive support through on-the- job training.

Doesn't that sound simple? Doesn't that sound sensible? Isn't that the approach you would take if you were doing it? This is not something new, and again, it is only one of several good examples, but two things make it unique: first, the parts make an integrated whole and second, it is being applied at the grassroots in brurala areas.

III KEY PROGRAMME ELEMENTS

These are the five key elements of the SDSR approach to rural income generation and self-employment. I would like to take you through each one (Diagram 4). The use of national staff for actual execution of the entire process allows for greater local insights and for cost effectiveness.

A Market Analysis

The first key element in the SDSR approach is the identification and appraisal of business opportunities. This consists of two steps. The first step, once a district has been chosen, is to conduct a **community needs assessment**. This is a structured process, for which numerous forms and guidelines have been prepared, tested and refined (Diagram 5). The essential features are that two types of community groups are established: the village leadership and various interest groups including the target populations of youth and women. These groups made a guided analysis of the kinds of business opportunities that might exist locally. Topics covered are inventory of existing businesses, availability of raw materials, new ideas from other areas, etc. Each group makes a list of new businesses that have passed the initial screening, from which about 10 "project ideas" are selected for a quick market survey. Secondary sources, such as reports, government officials and business people, are consulted for validation of community project ideas.

Project appraisal: The second major step, appraisal, is undertaken on those ideas that have the highest potential. A common weakness in promoting viable business ventures has always been the inadequate study of the competitive and marketing issues. As a result, the business activity is often short-lived, or provides minimal profits. Particularly in rural areas, where local markets are limited, raw materials and technology difficult to obtain, it is even more crucial that youth, women and their supporters are fully aware of the conditions for success. SDSR has developed a project appraisal tool to ensure that only viable business ideas are promoted (Diagram 7). Basically, it aims at identifying unrealistic or questionable assumptions relevant to the clientele and suggesting ways in which activities could be modified to improve profitability. Only when business opportunities have passed this rigorous analysis are clients selected and trained.

Examples of viable business opportunities in rural Africa are operation of grain mills, manufacture of agricultural tools, charcoal stoves and kerosene lamps, beds, tables and chairs, bee keeping, milk production and making school uniforms.

B Selection of Entrepreneurs.

In every country the number of people who are inherently entrepreneurial is limited: maybe only 5% of the population. Since resources are scarce, it is vital to spend them on the right people --that 5 % of the population most likely to succeed. But success is problematic given the difficult target groups selected for the SDSR programme. Rural youth tend to be inexperienced, lack exposure to business concepts, rarely consider the need to re-invest profits, have no ownership of

productive resources, and can often be a difficult target population to address. Rural women, being heavily engaged in domestic and agricultural tasks, are bound by time and household constraints. They often have little or no access to, or control over, productive resources, their educational levels are for the most part low or non-existent, they usually lack marketable skills and their exposure to the demands of the broader market economy outside the household and village is limited. How's that for a challenge!

One way SDSR has chosen to counteract these problems is to involve groups, or partnerships. This mechanism has proved to be effective. In rural areas where individual women or, for that matter, rural youth, have hardly any say, groups provide identity, strength and solidarity. Credit, equipment, technology and management training are often most efficiently extended on a group basis. Consequently, entrepreneurs are given the option to participate in the SDSR programme either as groups or as individuals. Another way has been to concentrate on individuals who have sufficient maturity and experience. Young adults in the age range 25-30 have been shown to have a better success rate.

The actual selection process depends heavily on community support and decision-making (Diagram 8). At community meetings local residents are informed about the programme and potentially feasible business ideas. Applicants fill out forms designed to reveal 1) motivation of the client, 2) ability and experience, 3) comprehension of business enterprise and 4) resources available to inject into the business (a proxy for commitment). The applications are screened by a project management committee. Roughly twice the number of persons who can ultimately be accepted into training are invited (with parents and community leaders) to a two-day workshop. Applicants are then given assistance in preparing a brief business plan, covering the enterprise they wish to undertake. These potential enterprises are chosen from among those identified through market analysis. The business plan includes such things as sources of supply for production, a market analysis and a cash flow analysis (Diagram 9). Final selections are made in the presence of community leaders based on the quality of the business plan and interviews by the committee.

C Training

Training is the cornerstone of the SDSR approach. It makes use of the following existing rural training institutions:

Youth Polytechnics	Kenya
Folk Development Colleges	Tanzania
Youth Training Centers	Zambia

The training institutions are in an excellent position to provide relevant and sustained assistance to their clients because they are in close contact with the rural population, particularly rural youth who have received basic skills training. Extension staff/instructors of the centers are key to the successful development of entrepreneurial programmes. However, what is lacking and is required within these institutions are measures to enhance their capacity to promote rural business development.

Training takes place for one month, at the training centre and at the proposed business site. The training covers three areas: technical, business and social skills. The btechnicala part of training aims at enabling the trainee, who has already received basic training, to produce the desired product or service. It focuses on the manufacture of prototypes planned for sale. It is trainee centered, based on a needs assessment of the individual or group. It is non-formal. And it is "minimalist", limited to the essential knowledge, skills and attitudes the trainee must acquire. This cuts down training time.

As much, or more, time is spent on **management and organisational training** as on technical training, i.e. the skills needed to start up and operate successfully a rural business. For example, carpenters, besides receiving technical skills, must also know how to cost and price their products, develop marketing strategies to ensure good sales and profits, know book-keeping skills to maintain adequate records and obtain credit. Considerable effort is also spent during training on revising and refining the business plan.

The "social" part of the training complements the technical and business skills. A major effort is made, especially with young adults, to make them understand the individual responsibilities they will have as they enter self-employment.

D Credit

The need for capital for small business stands as a high priority in rural areas. Unfortunately, it is a resource to which most young people and women have limited or no access. Credit is essential if training is to be used and micro enterprises started. This requirement, however, was not recognised in the original conception of the SDSR programme. In fact, SDSR did not "take off" until access to small business loans was built in as an integral part of the programme in 1987.

The major obstacles that confront rural dwellers in gaining access to credit are the policies of the financial institutions. Banks require collateral, favour the provision of large over small loans, use lengthy administrative procedures for extending credit and have misgivings about rural women and youth who are considered high risk clientele. These policies and practices need to be changed. Stringent collateral requirements must be waived in favour of group guarantees. And the uses of credit must become more flexible, for short or medium terms, for individuals or collective enterprises and for both farms and non-farm activities. But I would like to stress, SDSR is no window for privileged access to subsidised credit. No reduction in market interest rates is sought: the rural businesses have to become successful under prevailing market rates. These rates may be even higher than the market because of the extra administrative costs of handling small loans, which average about US$ 700.

The SDSR programme now begins with the identification of an existing financial institution that will assume administrative responsibility to channel credit to SDSR rural clients (Diagram 10). The following institutions are currently being used:

Barclays Bank	Kenya
Cooperative and Rural Development Bank (CRDB)	Tanzania
Credit Union Societies Associations (CUSA)	Zambia

The question raised by this process of obtaining credit is this: is it too easy? Should not the would-be entrepreneur have to go out and obtain his or her own credit as a test of suitability? In the case of Africa, however, there usually are no pre-existing sources of small-scale credit for young entrepreneurs without collateral. The real question is not whether automatic access to credit is a good thing, but rather what can be done with it? That bring us to follow through.

E Follow-Up/Monitoring

A common, yet major, problem in income-generation and self-employment programmes has been the lack of continuous and intensive follow-up. Business activities linked to the credit component need close and constant supervision and monitoring if they are to be profitable, and to assure scheduled repayments on the loans. The objectives of the follow through phase, which lasts at least six months intensively, are to identify and correct problems that occur, to reinforce training

and to obtain feedback on the success of various enterprises. An extensive monitoring form has been developed covering start-up activities, raw materials, financial activities and marketing (Diagram 11). By using training centre staff as the primary extension workers, the cost of follow up is kept relatively low, about $2 - $3 per visit. This is reasonable even for the low average loan size. Commercial bank staff are closely involved in follow-up monitoring work.

Experience so far has been highly encouraging. Repayment rates are extraordinarily high at 94% of the loans extended. There is, thus, room for decline in this rate without jeopardizing the success of the overall programme. What accounts for the success? The concentrated attention of project initiation is undoubtedly one reason. The accuracy of market analysis is another. But what underlies the success is the community pressure and support inherent in the SDSR approach. This is particularly important in rural Africa where informal networks are typically strong.

IV PROBLEMS and ISSUES

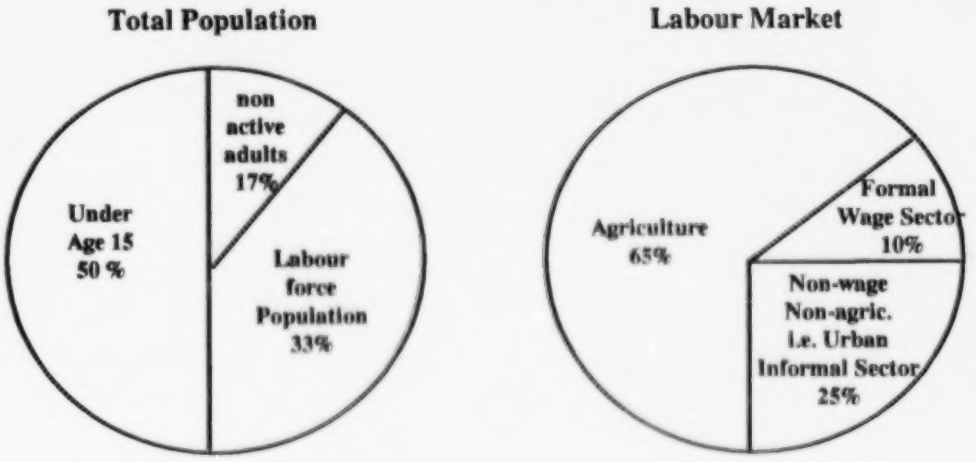
The SDSR programme is certainly not as simple as I have portrayed it here. And it could never by itself solve the problems of massive unemployment in Africa. But it is an approach that works, albeit on a limited scale so far.

One of the issues SDSR now faces is "going to scale," that is, expanding and replicating the approach on a large enough scale to make a sizeable impact. This is the classic dilemma of programmes that require labour intensive support. The big programmes don't work at all. The small ones work, but don't have wide impact. One of the most difficult elements of such expansion has to be the supporting infrastructure. Government workers, especially instructors, simply are not paid enough in most of these countries to be expected to do a creditable NGOs may have a comparative advantage here. Another issue is getting the staff at training institutions to change roles, in effect to become business extension agents as well as instructors. I think these are solvable problems.

I hope this case has also brought into focus a broader question of existing training institutions in Africa, namely: what to do with vocational training institutions that were built up on the expectation of a growing modern (wage) sector. These expectations have not been realised. As a consequence, training institutions are preparing people for jobs that simply do not -- and will not -- exist in the foreseeable future. How should these training institutions be changed to reflect the surplus of labour compared with wage jobs? That is, I think, the most essential question for vocational training in Africa today.

TYPICAL AFRICAN CASE

Diagram 1a



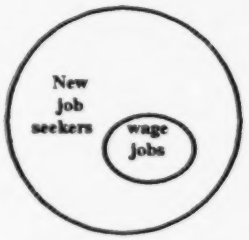
DYNAMICS OF THE AFRICAN LABOUR MARKET

Diagram 1b

Population, say 100,000
(33%) Labour Force 33,000
3.5% growth p.a. = 1,155 new jobs needed

Ratio : $\frac{1{,}155 \text{ Entrants}}{165 \text{ Jobs}} = \frac{7}{1}$

Wage Employment 10% * 33% = 3.3% (3,300)
Growth p.a. (165 new jobs generated)



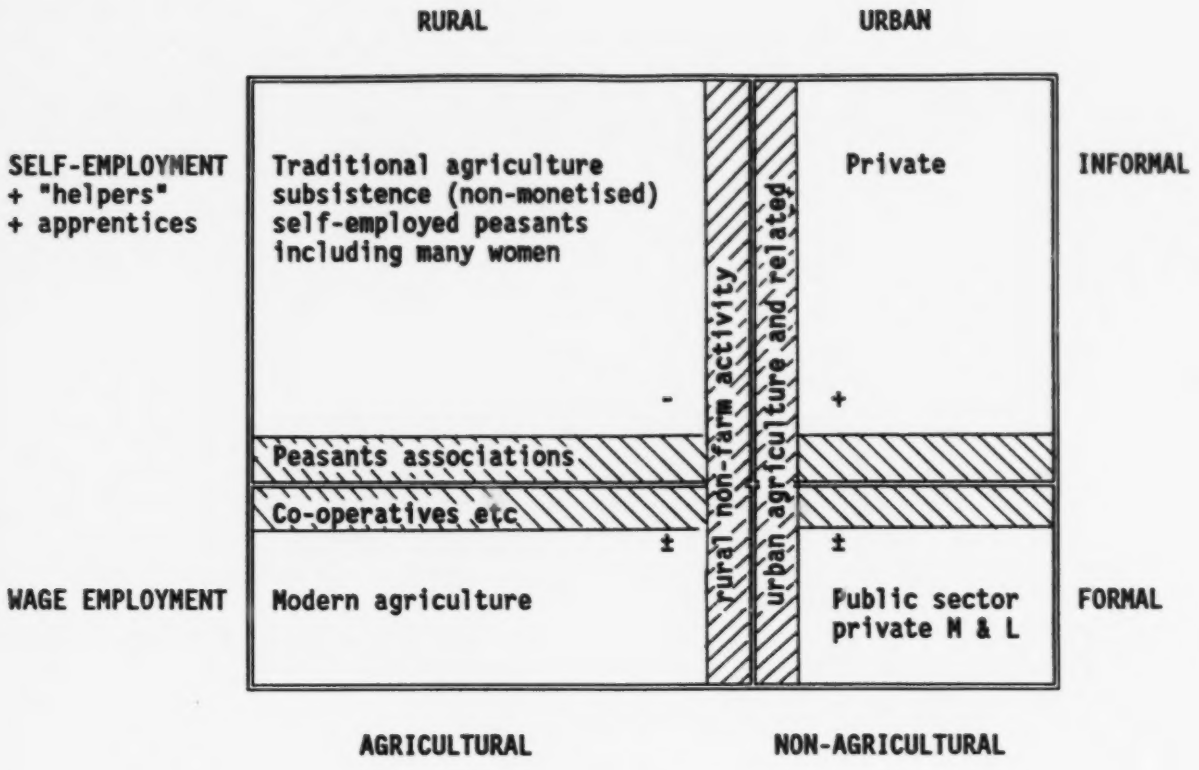
AFRICAN EXAMPLES

Diagram 1c

Kenya $\frac{400{,}000 \text{ Entrants}}{60{,}000 \text{ Jobs}} = \frac{6.7}{1}$

Burkina Faso $\frac{66{,}000 \text{ Entrants}}{2{,}500 \text{ Jobs}} = \frac{26.4}{1}$

DIAGRAM 2: AFRICAN LABOUR MARKET



+ - indicates trend over time

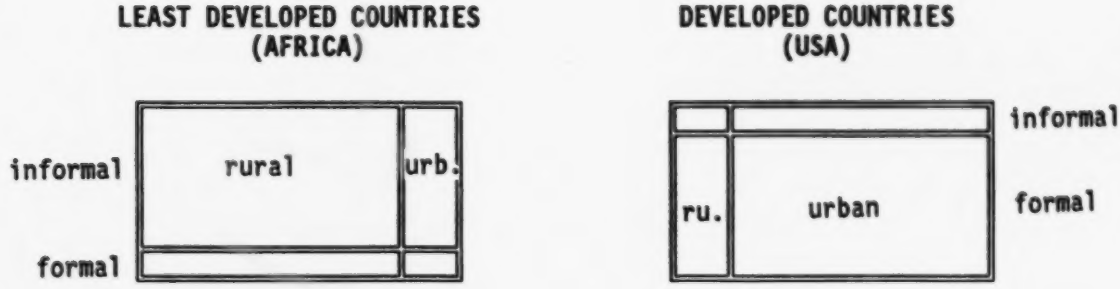
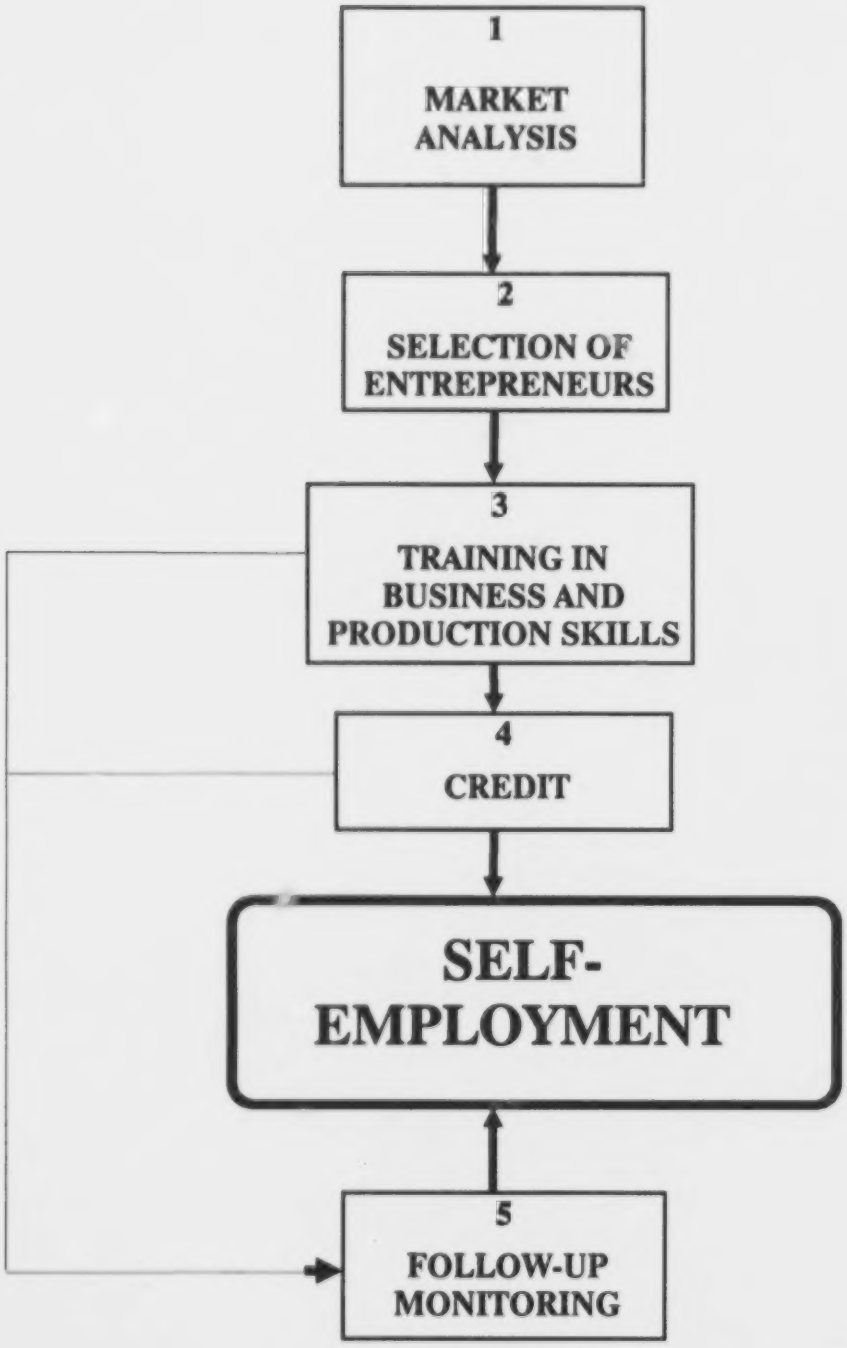


DIAGRAM 3

SDSR COUNTRIES

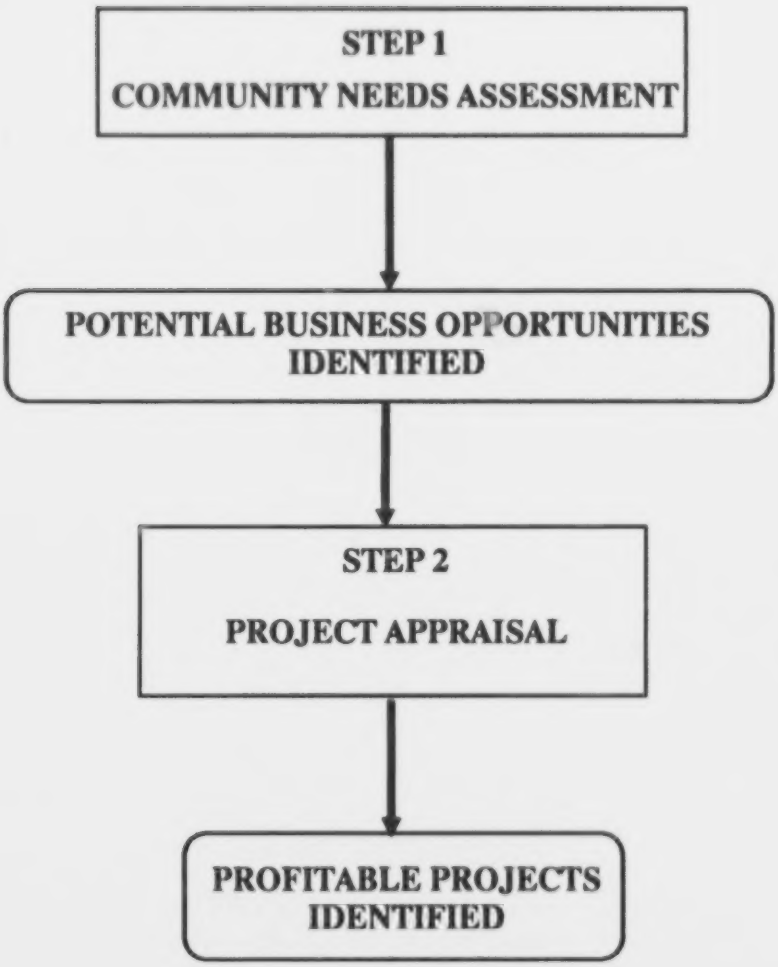
A STRATEGY FOR SELF-EMPLOYMENT IN RURAL AFRICA (ILO/SDSR)

Diagram 4



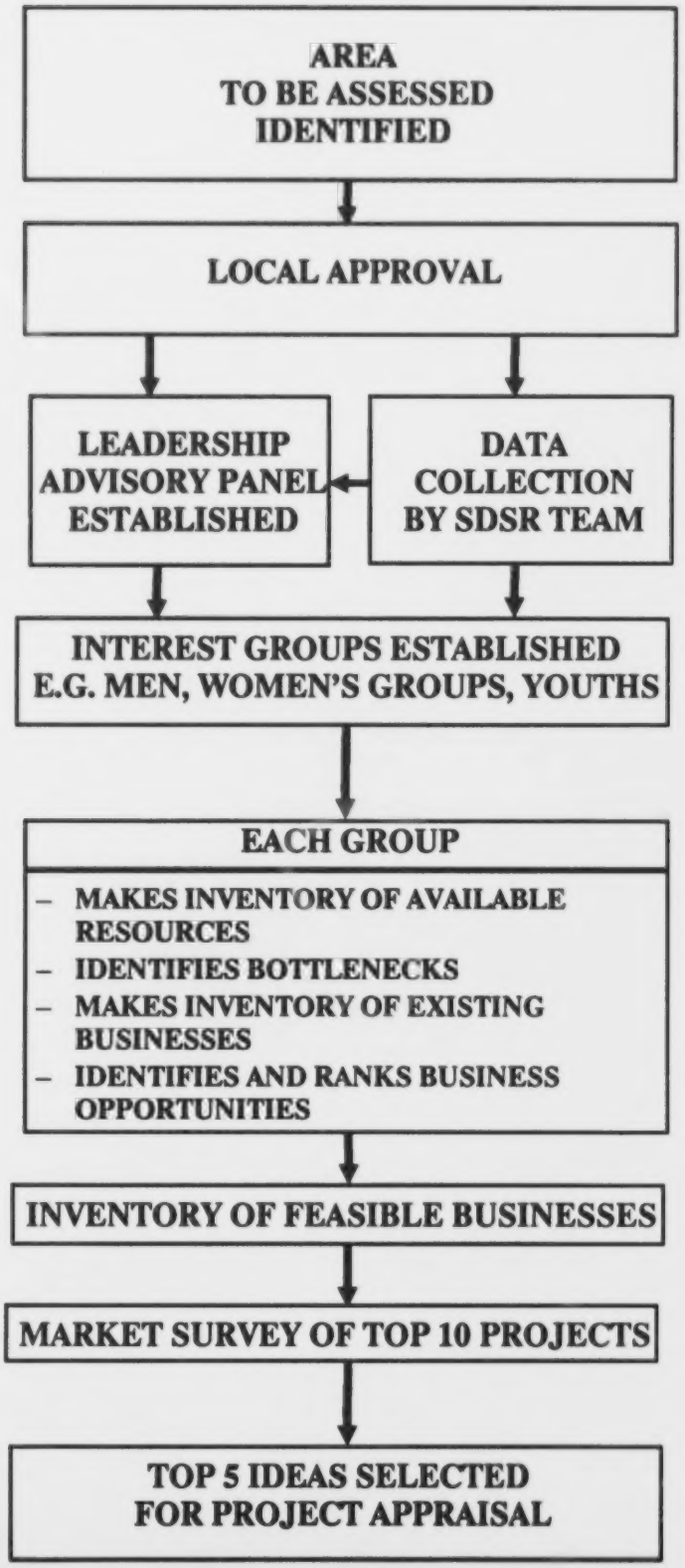
MARKET ANALYSIS
(ILO/SDSR)

Diagram 5



COMMUNITY NEEDS ASSESSMENT
(ILO/SDSR)

Diagram 6



SDSR
PROJECT APPRAISAL FORMAT

Diagram 7

(A) Market Area Descriptive Background

(B) General Description of Proposed Enterprise
Description of Proposed Clients

(C) Competitive and Marketing Analysis

(I) Suppliers
(II) Competitors
(III) Customers
(IV) Backers

(D) Operating Requirements

(I) Management

- Leadership
- Specialisation and responsibilities
- Personal relation
- Financial controls
- Planning

(II) Production

- Condition i.e. premises, tools and equipment
- Stores: Raw materials and stocks in process
- Material utilisation
- Product quality
- Product output
- Production and delivery schedules

(III) Marketing

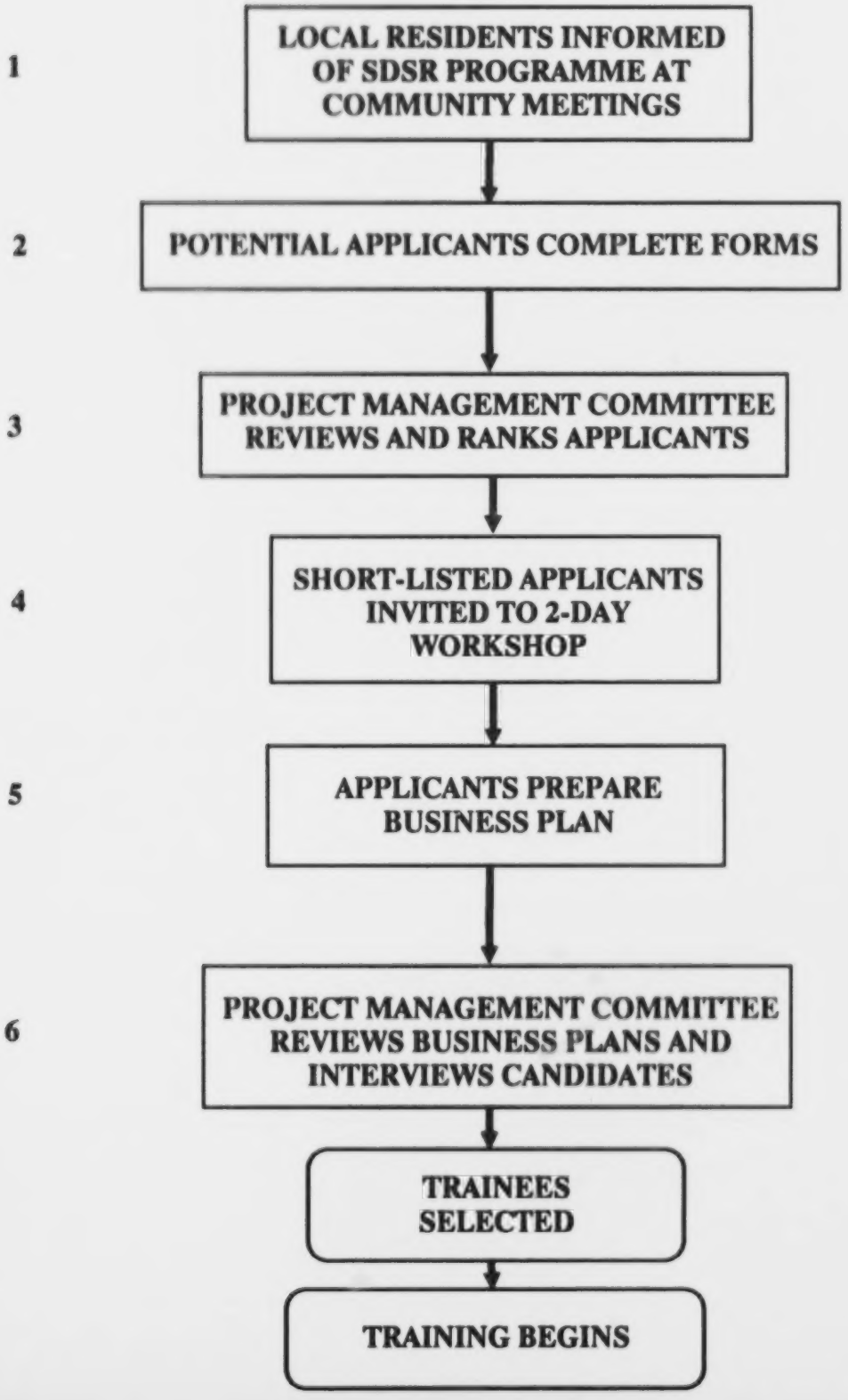
- Customer satisfaction
- Advance orders
- Promotion
- Pricing
- Competitive position

(E) Training needs Analysis

(F) Cash Flow Analysis and Financial Requirements

SELECTION PROCESS
(ILO/SDSR)

Diagram 8



SDSR
BUSINESS PLAN

A BACKGROUND

Who are you ..... personal details including age, schooling, qualifications, experience jobs done and position held.

If others are involved, carefully explain their function in the business.

B THE PROJECT

As clearly as possible explain what type of business you intend to start.

C COMPETITIVE AND MARKET ANALYSIS

- Who will be your suppliers of raw materials
- Who will be your competitors
- What are their weaknesses
- What opportunities do you see for your business once you start
- What threats or hazards do you think exist in this business
- How do you intend to cope with the mentioned hazards.

D CUSTOMERS

- Who will be your customers
- Where are they (place)
- How many are they

E BACKERS

Who or which organisations do you think will provide some assistance to you in starting up your business.

F OPERATING REQUIREMENTS

- How do you intend to manage your business
- How do you intend to organise production i.e. who will buy in raw materials, who will do machinery, etc. and how do you intend to organise it.

G CASH FLOW FOR YEAR 1

On the basis of your management and production plans and on a monthly basis how much cash do you expect into the business and how much do you expect out of the business.

MONTH

1	2	3	4	5	6	7	8	9	10	11	12

Cash Inflow

I) Retained Earning

II) Sales

III) Loan

IV) Own Equity

Total Inflow

Cash Outflow

I) Machine and Equipment

II) Raw Materials

III) Loan Repayment

IV) Piece Rate Wage

V) Rent

VI) Transport

VII) Maintenance

VIII) Licence

IX) Total outflow

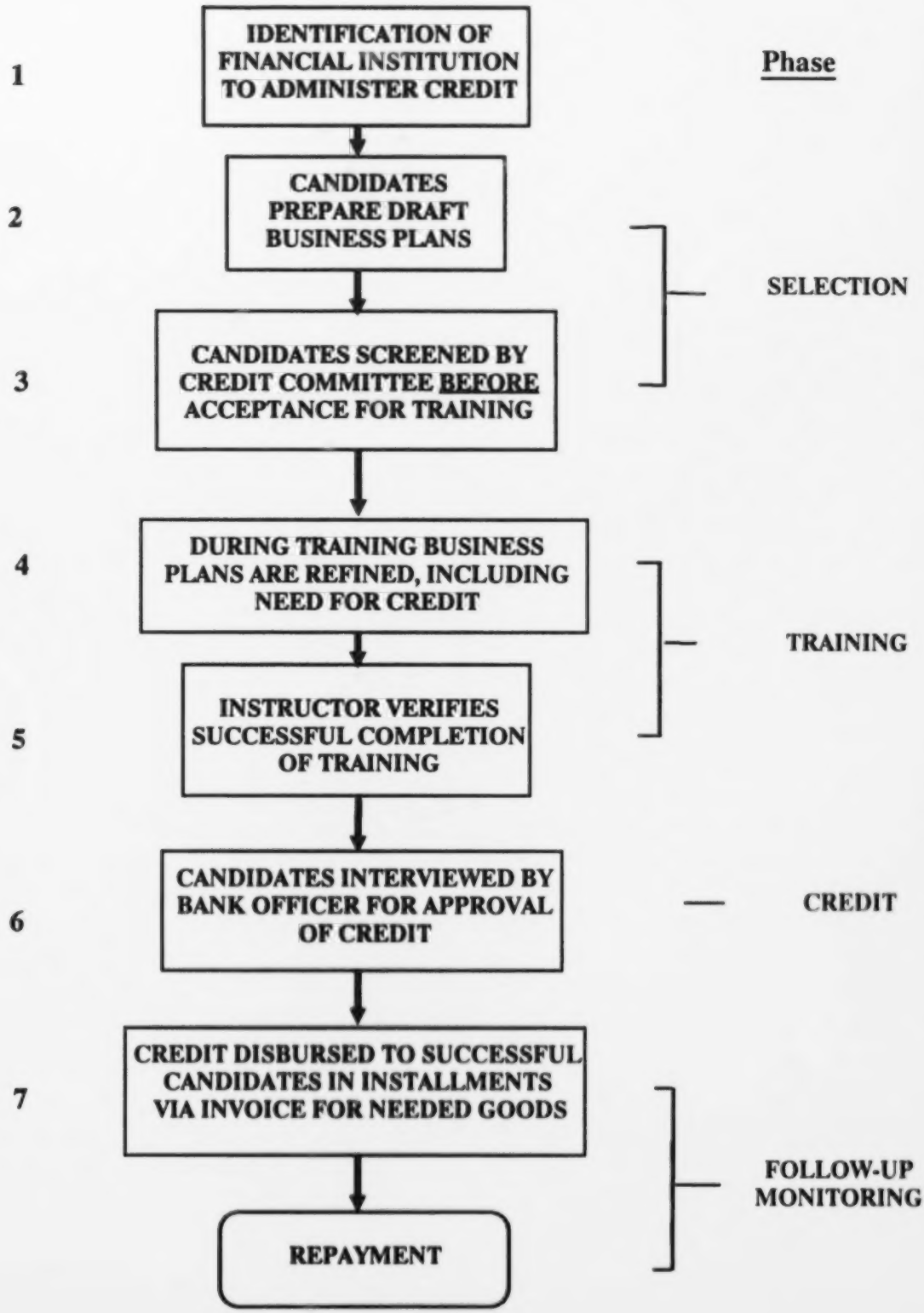
X) Net Cash Flow

XI) Distribution

XII) Retained Earnings

PROCESS OF OBTAINING CREDIT
(ILO/SDSR)

Diagram 10



CLIENT VISITATION FORM
ILO/SDSR

Diagram 11

A. START UP ACTIVITIES

1. Premises completed?
2. Licences completed?
3. Sufficient supplies?
4. Necessary equipment available?
5. Developed marketing plan?
6. Adequate storage for supplies?
7. Marketing developed?
8. Established work schedule?
9. Are products displayed?
10. Visiting schedule known?
11. Attractive business sign?
12. Work environment appropriate?

B. RAW MATERIALS ACTIVITIES

1. Are materials available?
2. Are quantities sufficient?
3. Are prices fair?
4. Is quality acceptable?
5. Materials used properly?
6. Materials stored properly?
7. Tools and equipment adequate?
8. Well maintained?

C. PRODUCTION PROCESS

1. Employees skilled?
2. Production well organised?
3. Work schedule in place?
4. Production quality acceptable?
5. Quantity acceptable?
6. Working premises acceptable?

D. FINANCIAL ACTIVITIES

RECORD KEEPING

1. Cash Book available?
2. Up to date?
3. All transactions recorded?

BUDGETING

5. Is there budget?
6. Is it followed?
7. Are products costed?
8. Well priced?
9. Sufficient working capital?

CREDIT/DEBIT

10. Creditors promptly paid?
11. Loan repayment up to date?
13. Debtors paying on time?
14. Outstanding debts?

E. MARKETING ACTIVITIES

MARKET

1. Knowledge of customer needs?
2. Customers seem satisfied?
3. New customers acquired?

PRODUCT

4. Product quality acceptable?
5. Sufficient quality?
6. Product attractive?
7. Selling more or less?

BUSINESS

8. Location suitable?
9. People aware of location?

PRICING

10. Are prices acceptable?
11. Are prices competitive?
12. Is the profit margin sufficient?

PROMOTION/ADVERTISING

13. Do customers have knowledge of products?
14. Is sign board in place?
15. Are products well presented?
16. Are products easily available?
17. Are samples products available?